

ASX Announcement (ASX: JKL)

JUSTKAPITAL CORPORATE RESTRUCTURE

The Board of Directors of JustKapital Limited (**JustKapital** or **Group**) is pleased to announce that the Group is to restructure its operations to focus on its finance business (**JustKapital Finance**).

As referred to the Group's announcement on 24 May 2017, the disbursement funding division and short term funding division have been amalgamated into a single division to be known as JustKapital Finance. Combined EBITDA for JustKapital Finance is expected to exceed \$5.6 million for FY2017. The Directors note that the revenue for JustKapital Finance has grown by 53% in FY17. In addition, the value of JustKapital's book of receivables has doubled to over \$30 million. This compares with an investment in the litigation funding portfolio by JustKapital of approximately \$7 million.

To compliment the operations of JustKapital Finance, the next stage of the restructure will be to transfer the current litigation funding portfolio into a new trust structure named the JustKapital Litigation Funding Trust (**Trust**). JustKapital is to be appointed the manager of the Trust and is to be paid monthly management fees which will be calculated on an arms-length basis.

Litigation Funding Trust

The establishment of the Trust is essentially a reorganisation of the funding of the current litigation portfolio and funding for future cases. JustKapital will transfer its existing litigation portfolio and the joint venture with Litigation Funding Solutions (announced on 2 March 2017) to the Trust in exchange for approximately 25% of the units in the Trust. The value of the portfolio transferred into the Trust will be reviewed by an independent expert who will prepare an independent expert's report to assess whether the transaction is 'fair' and 'reasonable'.

The Trust will seek additional funds from third party investors to enable the completion of the existing litigation portfolio and to fund new cases. The initial capital raising target of the Trust, including the value of the existing portfolio, is approximately \$20 million. It is envisaged that the Group will not be required to contribute any further capital to complete the litigation portfolio or to the Trust.

Following completion of the proposed restructure, JustKapital shareholders will have an interest in the outcomes of the litigation portfolio and will also receive an ongoing stream of management fees under the management arrangement with the Trust. The expected management fee revenue to JustKapital will be approximately \$1 million per annum.

Benefits to JustKapital shareholders

The litigation funding division generates uncertain revenue streams as, due to the nature of litigation, it is not possible to predict the timing of completion or resolution of any case in the litigation funding portfolio. By creating the Trust, the Group's revenue from management fees will be more predictable and shareholders will also continue to share in the upside from case completions. The Group will have no further capital or financial obligations to fund the litigation portfolio.

For this reason, the Board of JustKapital believes that it is in the best interests of the Group to focus on its core business, that of a financing company for law firms on a non-contingent basis. This will be achieved through the businesses of JustKapital Finance and by receiving management fees from the Trust.



The Group will make further announcements to the market following the completion of the independent expert's report on the valuation of the existing litigation portfolio and once the Trust documents have been completed.

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